

Mr. Anthony V. Marshall, Vice President – Reimbursement
Diversified Health Services, L.P.
3839 Forest Hill - Irene
Memphis, Tennessee 38215

Re: AC# 3-EHC-J5 - Edgefield Associates, L.P. d/b/a Edgefield Health Care Center

Dear Mr. Marshall:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll
Ms. Carolyn Rice

**EDGEFIELD ASSOCIATES, L.P.
d/b/a EDGEFIELD HEALTH CARE CENTER**

EDGEFIELD, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-EHC-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 21, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Edgefield Associates, L.P. d/b/a Edgefield Health Care Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Edgefield Associates, L.P. d/b/a Edgefield Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Edgefield Associates, L.P. d/b/a Edgefield Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 21, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Thomas L. Wagner, Jr., CPA
State Auditor

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-EHC-J5

	10/01/96- <u>09/30/97</u>
Interim reimbursement rate (1)	\$75.51
Adjusted reimbursement rate	<u>75.32</u>
Decrease in reimbursement rate	\$ <u><u>.19</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1996 Through September 30, 1997
 AC# 3-EHC-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.00	\$34.42	\$42.83	\$34.42
Dietary	<u>.22</u>	<u>9.24</u>	<u>9.46</u>	<u>9.24</u>
Subtotal	<u>\$3.22</u>	43.66	52.29	43.66
Laundry/Housekeeping/Maint.	\$1.10	6.12	7.32	6.12
Administration & Med. Rec.	<u>-</u>	<u>9.64</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	<u>\$1.10</u>	59.42	<u>\$68.21</u>	58.38
<u>Costs Not Subject to Standards:</u>				
Utilities		1.81		1.81
Special Services		-		-
Medical Supplies & Oxy.		1.79		1.79
Taxes and Insurance		1.50		1.50
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$64.52</u>		63.48
Inflation Factor (4.90%)				3.11
Cost of Capital				6.73
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.10
Cost Incentive - For Gen. Serv. & Dietary				3.22
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.57)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$75.32</u>

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-EHC-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,108,531	\$ -	\$ 7,040(5) 534(5)	\$1,100,957
Dietary	296,530	-	1,147(5)	295,383
Laundry	35,888	-	213(5)	35,675
Housekeeping	111,692	-	678(5)	111,014
Maintenance	49,344	-	187(5)	49,157
Administration & Medical Records	309,439	-	864(5) 126(5)	308,449
Utilities	57,989	-	-	57,989
Special Services	-	-	-	-
Medical Supplies & Oxygen	59,418	-	1,218(3) 1,100(4)	57,100
Taxes and Insurance	47,894	-	-	47,894
Legal Fees	-	-	-	-
Cost of Capital	<u>208,543</u>	<u>8,654(1)</u>	<u>2,094(2)</u>	<u>215,103</u>
Subtotal	2,285,268	8,654	15,201	2,278,721

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-EHC-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	9,459	-	-	9,459
Non-Allowable	30,298	2,094 (2)	-	33,610
	<u> </u>	<u>1,218 (3)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,325,025</u>	<u>\$11,966</u>	<u>\$15,201</u>	<u>\$2,321,790</u>
TOTAL BEDS <u>88</u>		TOTAL PATIENT DAYS		<u>31,982</u>

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-EHC-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$59,456	
	Cost of Capital - Depreciation Expense	8,654	
	Accumulated Depreciation		\$51,289
	Other Equity		16,821
	To adjust fixed assets and related depreciation HIM-15-1, Section 100		
2	Nonallowable Expense	2,094	
	Cost of Capital Expense		2,094
	To adjust calculated cost of capital in accordance with cost of capital reimbursement policy effective July 1, 1989 State Plan, Attachment 4.19D		
3	Nonallowable Expense	1,218	
	Medical Supplies - Nursing Supplies Expense		1,218
	To remove prescription drug cost State Plan, Attachment 4.19D		
4	Other Equity	1,100	
	Medical Supplies - Nursing Supplies Expense		1,100
	To correct double booking of invoices State Plan, Attachment 4.19D		

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER

Adjustment Report

Cost Report Period Ended September 30, 1995

AC# 3-EHC-J5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Accrued Vacation	10,789	
	Nursing - Vacation Expense		7,040
	Restorative - Vacation Expense		534
	Dietary - Vacation Expense		1,147
	Laundry - Vacation Expense		213
	Housekeeping - Vacation Expense		678
	Maintenance - Vacation Expense		187
	Administration - Vacation Expense		864
	Medical Records - Vacation Expense		126
	To adjust accrued vacation		
	HIM-15-1, Section 2146		
		_____	_____
	TOTAL ADJUSTMENTS	\$83,311	\$83,311

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-EHC-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>88</u>
Deemed Asset Value	2,813,624
Improvements Since 1981	204,251
Accumulated Depreciation at 9/30/95	<u>(825,090)</u>
Deemed Depreciated Value	2,192,785
Market Rate of Return	<u>0.070</u>
Total Annual Return	153,495
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	153,495
Depreciation Expense	59,983
Amortization Expense	1,950
Capital Related Income Offsets	(325)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	215,103
Total Patient Days (Minimum 97% Occupancy)	<u>31,982</u>
Cost of Capital Per Diem	\$ <u><u>6.73</u></u>

EDGEFIELD ASSOCIATES, L.P. d/b/a EDGEFIELD HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-EHC-J5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 6.37
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>10.36</u>
Reimbursable Cost of Capital Per Diem	\$ 6.73
Cost of Capital Per Diem	<u>6.73</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>